

Message Text

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PAGE 01 KHARTO 00014 031106Z

ACTION AF-08

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E.O. 11652: N/A

TAGS: EAGR, BAGR, BEXP, SU

SUBJECT: MAJOR PROJECT: SUDAN'S SUGAR INDUSTRY

REF: KHARTOUM 3486

1. REFTEL REPORTED \$50 MILLION TRADE OPPORTUNITY FOR SUGAR CANE HARVESTING AND HANDLING EQUIPMENT. EMBASSY HAS JUST COMPLETED ANALYSIS OF SECTORAL REQUIREMENTS OF SUGAR INDUSTRY BEING REPORTED SEPARATELY BY AIRGRAM. THIS ANALYSIS DISCLOSES THAT THERE PROBABLY ARE MAJOR TRADE OPPORTUNITIES CONNECTED WITH SUGAR BY-PRODUCTS-- PARTICULARLY BAGASSE AND MOLASSES. IT APPEARS THAT THERE ARE NO ADVANCE PLANS FOR UTILIZATION OF ABOUT \$60 MILLION (AT CURRENT US PRICES) OF MOLASSES WHICH WILL BE PRODUCED AS A RESULT OF SUGAR PROJECTS BEING EXECUTED. IN FACT, MOLASSES IS BEING TREATED AS WASTE PRODUCT AND DUMPED.

2. SUDANESE INVESTMENT IN THE SUGAR INDUSTRY FROM 1973-80 WILL TOTAL ABOUT \$1 BILLION. THIS TOTAL ONLY INCLUDES FOUR NEW PROJECTS WHICH ARE CURRENTLY BEING EXECUTED. SUDAN PLANS THREE ADDITIONAL PROJECTS WHICH WOULD SUBSTANTIALLY ADD TO INVESTMENT COST. BY THE EARLY 1980'S, ANNUAL SUGAR EXPORTS SHOULD

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TOTAL ABOUT 500,000 METRIC TONS. SUDAN'S ANNUAL SUGAR EXPORTS COULD EXCEED ONE MILLION METRIC TONS BY THE MID-1980'S IF ADDITIONAL PROJECTS ARE IMPLEMENTED.

3. SUDAN HAS GIVEN HIGH PRIORITY IN NATIONAL PLANNING TO SUGAR BOTH FOR IMPORT SUBSTITUTION AND FOR EXPORT DIVERSIFICATION. AS A RESULT, WORLD SUGAR PRICES WILL

BECOME A CRITICAL ECONOMIC DETERMINANT. THERE IS LITTLE EVIDENCE THAT SUDAN HAS GIVEN MUCH CONSIDERATION TO MARKETING ITS SUGAR EXPORTS. ALTHOUGH SUGAR EXPORTS WILL HAVE A DRAMATIC IMPACT ON TRADE STATISTICS, IT APPEARS THAT AT LEAST THROUGH THE MID-1980'S SUGAR EXPORTS AT BEST ONLY WILL HAVE marginally POSITIVE EFFECT ON BOP. THIS IS PRIMARILY DUE TO HIGH CAPITAL COSTS FOR CERTAIN SUGAR PROJECTS AND CONSEQUENT HEAVY DEBT SERVICE BURDEN.

4. ACTION REQUESTED: AMERICAN MANUFACTURERS OF SUGAR INDUSTRY RELATED EQUIPMENT SHOULD BE ALERTED TO DEVELOPMENTS IN SUDAN. WE WOULD LIKE TO BE INCLUDED

AS ADDRESSEE ON SIGNIFICANT SUGAR RELATED CABLES PARTICULARLY RELATING TO WORLD SUGAR QUOTAS. WE WOULD HOPE TO PASS MARKETING INFORMATION INFORMALLY TO WORKING LEVEL OFFICIALS GIVEN SUDAN'S VERY SUBSTANTIAL INTEREST WHEN IT BECOMES MAJOR EXPORTER. WE HOPE IN THIS MANNER TO ESTABLISH CLOSE RELATIONS WITH NASCENT SUGAR INDUSTRY HERE AND THEREBY IMPROVE OUTLOOK FOR INTERESTED US FIRMS.
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